

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 9 TOWN HALL MEETING

September 11, 2018

Outline

Opening Remarks (Charles Barron)

Infrastructure Needs (Mark W. Adam, P.E., RPLS)

Finance (John Howell)

Bond Authorization Process (Clark Lord)

BLEYL ENGINEERING

PLANNING • DESIGN • MANAGEMENT

BRACEWELL



Comment Cards

You May Fill In Any Questions Or Comments Regarding The Presentation

Pass In If You Would Like Them Read After The Presentation

Leave Behind If You Want Them Read and Addressed Later

Verbal Questions or Comments are always Welcomed

WHY HERE, WHY NOW?

SPENT PREVIOUS BOND AUTHORIZATION

CATAHOULA WATER WELLS

SANITARY SEWER SYSTEM REPAIRS

WASTEWATER TREATMENT PLANT EXPANSION

MINOR DRAINAGE IMPROVEMENTS

NON CONSTRUCTION COSTS

APPROXIMATELY \$27,000,000

PROPOSED AUTHORIZATION = LINE OF CREDIT

EXAMPLE PROJECTS NEAR TERM (2 – 3 YEARS)

4 MAJOR DRAINAGE BOWLS (15 HOMES REPEATED FLOODING)

SANITARY SEWER SYTEM MANHOLE REHABILITATION

CONTRACTED DEVELOPER REIMBURSEMENT

ESTIMATED TOTAL

\$5,200,000

PROPOSED AUTHORIZATION = LINE OF CREDIT

EXAMPLE TYPE PROJECTS - LONG TERM

REHABILITATION OF WATER DISTRIBUTION SYSTEM

REHABILITATION & EXPANSION OF STORM SEWER SYSTEM

REHABILITATION OF SANITARY SEWER SYSTEM

NON CONSTRUCTION COSTS

TOTAL - \$19,000,000

REVENUE SOURCES

LISTED BY PRIORITY

PROPERTY TAX BACK BONDS

HIGHEST QUALITY – LOWEST MARKET INTEREST RATE

TAXPAYERS GET LIMITED INCOME TAX DEDUCTION (IF ITEMIZING)

SPREAD COST OVER 30 YEARS

MUD 9 HAS A+ RATING = NEXT TO BEST AVAILABLE

REVENUE BACKED BONDS

LOWER QUALITY = HIGHER INTEREST RATE

VOTER APPROVAL NOT REQUIRED

REVENUE VARIES WITH SALES = FREQUENT RATE CHANGES

DIRECT FUNDING FROM WATER AND SEWER RATES

SUBJECT TO PRICE SHOCKS, NO LONG TERM COST AVERAGING

REGULATORY OVERSIGHT

TEXAS WATER CODE LIMITS MUD AUTHORITY

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (TCEQ)

APPROVES VOTER BOND AUTHORITY REQUEST

FORMAL LEGAL AND ENGINEERING REVIEW

APPROVES EACH INDIVIDUAL BOND SALE

ESCROWS BOND FUNDS FROM SALES

RELEASES FUNDS AT PROJECT MILESTONES

IRS RULES ON MUNICIPAL BOND SALES

STORM SEWER SYSTEM

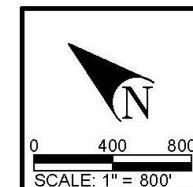
LAKE CONROE

Storm Sewer Map

MONTGOMERY COUNTY
MUD No. 9

LEGEND

▲ OUTFALL LOCATION (28)



LAKE CONROE

Storm Sewer System

Approximately 13.6 Miles 40 Year Old Concrete and Galvanized Steel Pipe Owned And Maintained By The District Consisting Of:

Description	Linear Footage	Description	Quantity
18" Storm Pipe	1,453	Inlets	378
24" Storm Pipe	53,335	Manholes	372
30" Storm Pipe	6,471	Outfalls	27
36" Storm Pipe	4,991		
42" Storm Pipe	3,292		
48" Storm Pipe	699		
54" Storm Pipe	1,062		
66" Storm Pipe	141		
72" Storm Pipe	154		

The District has expended **\$1,000,000** on Drainage Related Repair Projects Over the Past Several Years.

- Near Term: Potential Drainage Upgrades (4 Bowls)
- Long Term: Potential Major Pipe Rehabilitation



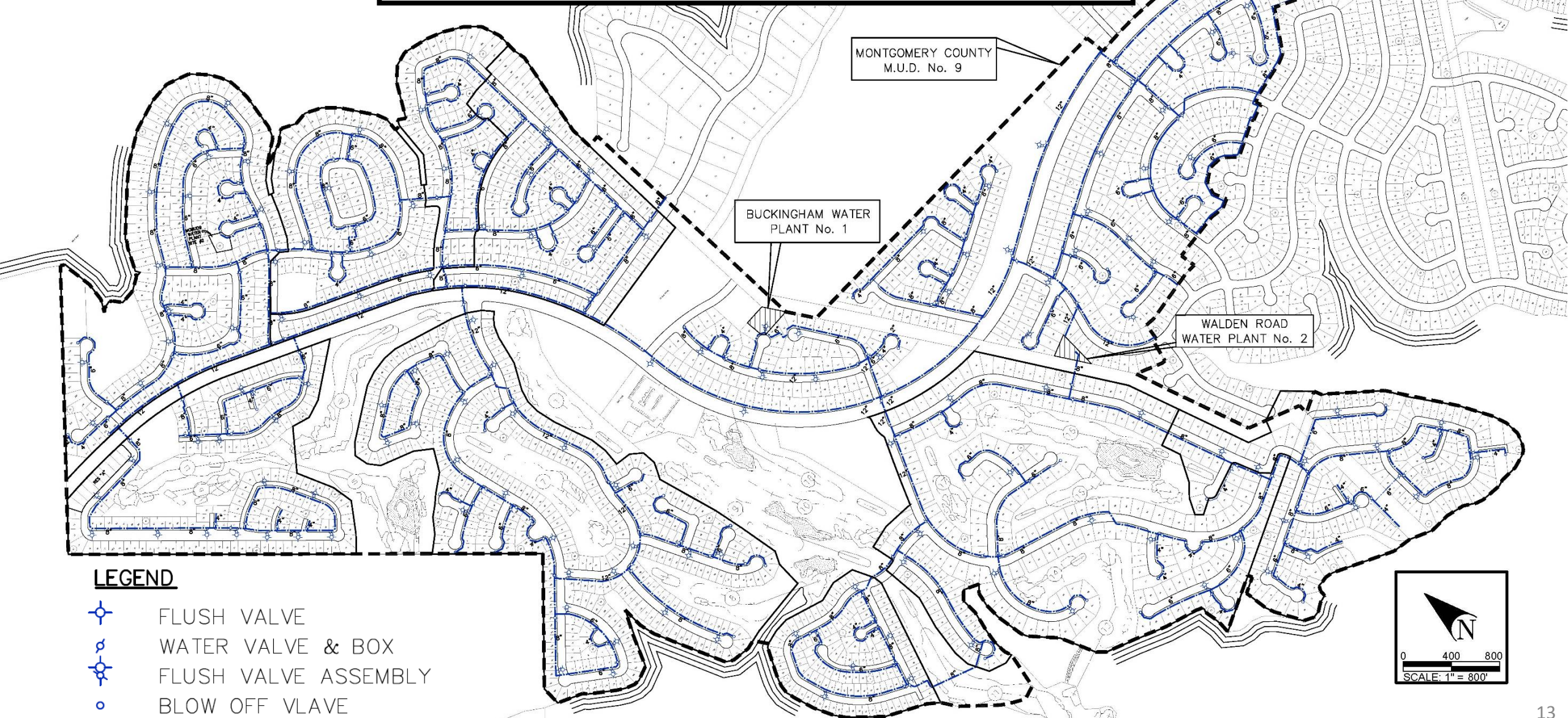
Manhole



Improved Outlet Pipe

WATER DISTRIBUTION AND WATER PLANT FACILITIES SYSTEM

Water Distribution Map



Water Distribution System

Approximately 22 Miles Owned And Maintained By The District Consisting Of:

Description	Linear Footage	Description	Quantity
4" Water Line	12,417.27	4" Gate Valves	43
6" Water Line	29,345.11	6" Gate Valves	52
8" Water Line	54,675.50	8" Gate Valves	101
12" Water Line	16,545.07	12" Gate Valves	20
16" Water Line	2,208.88	16" Gate Valves	1
		Fire Hydrants	130

Water Mains Are Primarily Asbestos Cement and Cast Iron Pipe Over 40 Years In Continuous Operation.

Estimated Service Life is 50-70 Years Depending on Site Conditions.

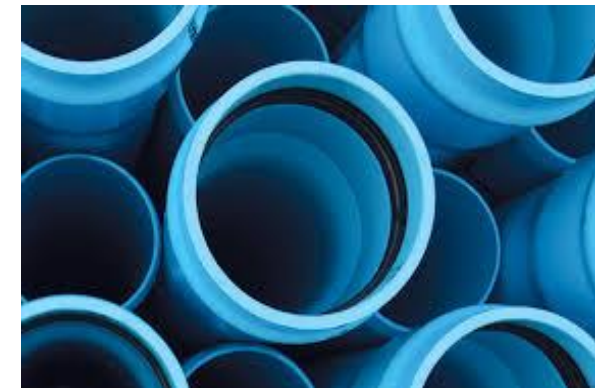
District has made over \$320,000 of repairs only to the water distribution system in the past 5 years.



Asbestos Cement Pipe



Cast Iron Pipe & Tuberculation



PVC C900 Pipe

Water Plant Facilities System

Buckingham Water Plant

Water Plant No. 1

Originally Built in 1978



- 2 - 420,000 Gallon GST
- 20,000 Gallon Hydropneumatic Tank
- 3 - Booster Pumps
- Original Water Well (Abandoned)
- New water well under construction

Walden Rd Water Plant

Water Plant No. 2

Originally Built in 2007



- 225,000 Gallon GST
- 320,000 Gallon GST
- 20,000 Gallon Hydropneumatic Tank
- 3 - Booster Pumps
- Water Well

Water Plant No. 1

Buckingham Water Plant Ground Storage Tank (Under Rehabilitation At This Time)



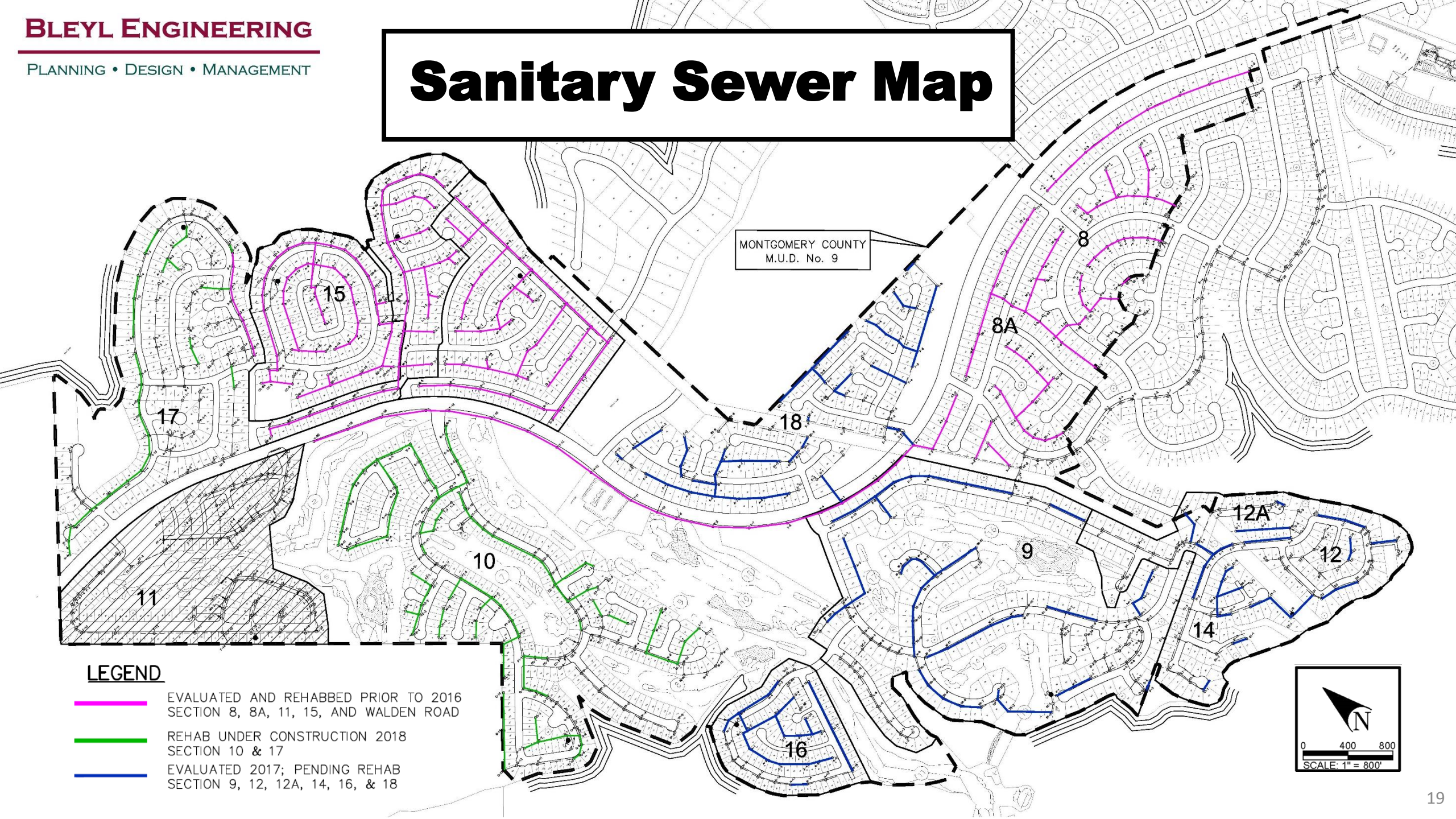
Water Plant No. 2

Walden Rd Water Plant



SANITARY SEWER SYSTEM

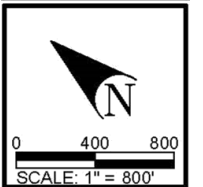
Sanitary Sewer Map



MONTGOMERY COUNTY
M.U.D. No. 9

LEGEND

- EVALUATED AND REHABBED PRIOR TO 2016
SECTION 8, 8A, 11, 15, AND WALDEN ROAD
- REHAB UNDER CONSTRUCTION 2018
SECTION 10 & 17
- EVALUATED 2017; PENDING REHAB
SECTION 9, 12, 12A, 14, 16, & 18



Sanitary Sewer System

The District Maintains over 23.5 Miles of Sanitary Sewer Lines Consisting Of:

Description	Units
Sewer Pipe	123,283 LF
Manholes	782

The District has expended nearly **\$2,000,000** on sanitary pipe rehabilitation within the past 3 years. Manhole repairs are needed.

The District is also participating in the MUD 8 1.25 MGD wastewater treatment plant expansion project. District Share is approximately \$12,000,000.



ABS Truss Pipe



HDPE Pipe



Existing MUD 8 Wastewater
Treatment Plant

Bond Authorization Discussion – Assumptions

Key assumptions used in the analysis and the following slides:

- \$19 million bonds issued over the next 15-17 years
- District buildout over the next 15-17 years
- District issues bonds at 4.0%-4.5%
- Bonds issued with a 30 year final maturity
- Bond Sales Projected in: 2020, 2028, 2035

Bond Authorization Discussion – Projections of Assessed Valuations

2018 Taxable Value per MCAD.....	\$473,000,000
Plus 300 additional homes @ \$200,000.....	\$60,000,000 ^(a)
Plus additional multifamily units	\$10,000,000 ^(b)
Plus commercial building development.....	<u>\$0</u> ^(c)
Total Projected 2035 Taxable Value.....	\$627,000,000 ^(d)

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- (a) As of January 1, 2018 we had approximately 608 vacant developed single-family lots available to be built upon. This analysis assumes the build out of 300 lots at \$200,000 per home. We assume 380 lots will never be built upon.
- (b) This analysis assumes the build out of the second phase of the Harbor Shores multifamily project located in the District.
- (c) As of January 1, 2018 we have approximately 40 commercial acres in the District. This analysis assumes NO build out of those acres.
- (d) Includes a factor for escalating home values at 1.0% per year. The District probably achieves this taxable value by about 2035.

Bond Authorization Discussion – “Key” Facts

Current bond rating.....“A+” S&P
Projected bond rating.....“A+” S&P

Current house count.....1,700 homes
Projected house count.....2,000 homes

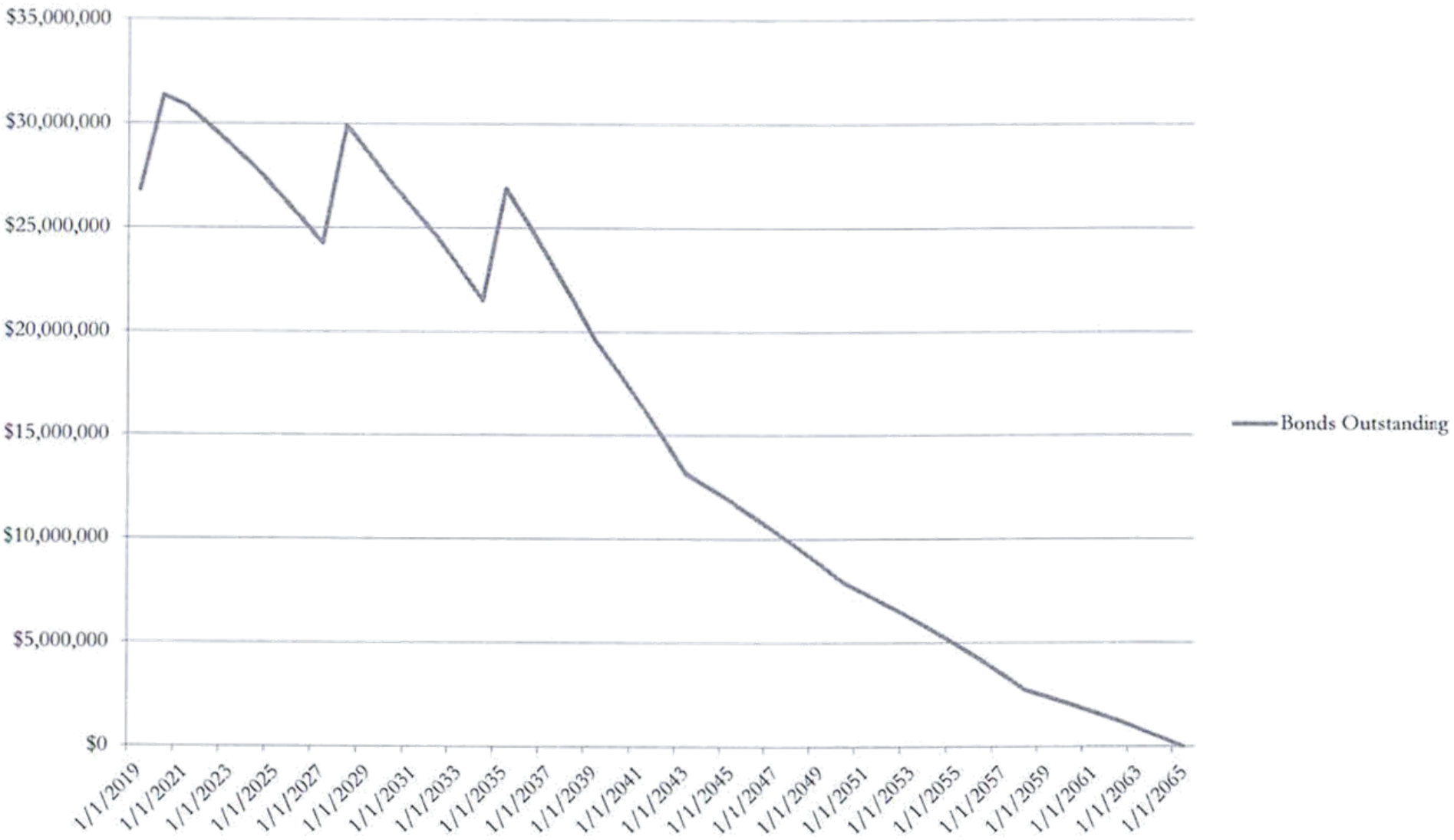
Current Assessed Value.....\$470 million
Projected Assessed Value (2035).....\$627 million

Current direct debt ratio.....5.8%
Future direct debt ratio.....6.1%

Current Maximum Annual Debt Service.....\$1,890,000
Projected Maximum Annual Debt Service.....\$2,962,000

Current Total Tax Rate\$0.406
Projected Total Tax Rate\$0.406

Montgomery County MUD No. 9
Principal Amount of Bonds Outstanding



Bond Authorization Discussion – What If the Voters Say “No”?

Old system we are going to have to rehab the system from time to time that will cost money.

What if the voters say "no" - is that the end of the world?

The answer is **NO**.

We currently have cash on hand - but that will eventually run out.

Revenue bonds with the TWOS - we have done it before, we can do it again - but not as efficient as unlimited tax bonds.

What if a "big widget" breaks - what would we do?

Emergency Revenue Bond Anticipation Note.

Surcharge added to the Rate Order (\$1 million dollar cost equals \$125 per home).

But you are asking current people to pay for an asset that will be used and benefited by folks for the next 20 years.

Finally, remember we are having this discussion because we are going to ask the voters for bond authorization - we need to always remind people that bonds get authorized but **NO** bonds get sold until your resident/tax paying Board of Directors says "go."

CALLING A BOND ELECTION

Bond Election Process

Clark S. Lord, Partner
Bracewell LLP

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TIME TABLE FOR A NOVEMBER 6, 2018 BOND ELECTION

- August 20, 2018 – Last day to call election
- September 7, 2018 – Last day to submit notice to the Montgomery County Clerk and Voter Registrar (60 days prior)
- October 7 to 27, 2018 – Newspaper publication of Notice of Election in English and Spanish

CONTINUE TIME TABLE FOR THE NOVEMBER 6, 2018 ELECTION

- October 16, 2018 – Post the Election Order and Notice of Polling Place locations with a target date of October 12, 2018
- October 22 – November 2, 2018 – Early Voting Period
- November 6, 2018 – Election Day
- November 9 – November 17, 2018 – Canvass the Election Results

Bond Authorization Amount

SUMMARY

TOTAL BOND AUTHORIZATION AMOUNT = \$19,000,000

NEAR TERM ABOUT \$5,000,000

LONG TERM REPAIR RISK \$14,000,000

BOND AUTHORIZATION = LINE OF CREDIT

BONDS NOT SOLD UNTIL SPECIFIC NEED IS DEFINED
THEN REVIEWED BY TCEQ

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PLANNING • DESIGN • MANAGEMENT

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QUESTIONS?